

RETAILING OUTSIDE THE BOX

by Marco Scibora

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In 1986, Marco Scibora founded Advanced Communication Design, Inc. (ACD) to develop a full range of systems and devices for interactive, in-store merchandising. He serves as President and CEO of the company, headquartered in Minneapolis, MN. ACD currently has thousands of devices installed in retail outlets around the world, including the Virgin Mega store flagship in Paris, Borders Books & Music, Warehouse Entertainment, Discovery Stores and Fred Meyer, among many others. Through a licensing agreement with Sony Music Corp., ACD's devices can also be found under the Sony name in Major music stores in Japan. Marco firmly believes that traditional brick-and-mortar outlets face great challenges and opportunities, and will continue to flourish in spite of E-commerce, so long as retailers embrace new technology and electronic merchandising. Here, he tells us how they can do so. Marco Scibora can be reached at 952.854.4000 or marco@acdstar.com.

The fact is, traditional shopping continues to be one of America's favorite pastimes. It's a leisure activity, up there with baseball and apple pie. The initial wave of excitement over virtual shopping and the convenience of "point-and-click" are subsiding because it's not much fun anymore; consumers still enjoy the traditional shopping experience. People like the act of physically going to the store. They like to see and feel the merchandise; they want to enjoy the ambience of the shopping environment. Also, we should not overlook the fact that the majority of people in the US still do not own a computer or have an internet connection. And those of us who do not have computers and the internet connections are losing the excitement of online shopping- we want to get out of our chairs and have the experience of going to a live store and be with people. For music lovers, however, the internet initially offered some unique benefits that the traditional music store didn't have. Consumers went to the web to search for tunes by song title, album title, or artist, get song reviews and band information, good pricing and more-all in one place. The best value the internet brings to music shopping is the streaming audio and video technology, allowing sampling of thousands of CDs by simply clicking a button. The music is right there for them to hear. Click once to play music and click once more to order. Consumers got excited, E-tailers got excited-and rightfully so...they knew that brick-and-mortar didn't offer such services in-store.

Why Kiosks And CD Players Will Not Help Music Retailers.

When the internet first made available the then-unprecedented option of sampling a song before purchasing it, there was nothing else like it. The only competing systems that came remotely close to this type of service were CD players and the traditional touch-screen kiosk which many music and bookstores had installed. But, there are fundamental drawbacks to the entire concept in, using kiosks and/or CD players. Kiosks are big, clunky and are limited as to how many can be placed in the store to serve music shoppers (and they still look like a computer). And CD players typically hold only five to 12 CDs (that can be heard only at that player by only one person at a time). Neither of these merchandising concepts capitalizes on a carefully designed store's traffic flow. Kiosks

are stand-alone fixtures, located randomly in the aisles, not next to the product they try to sell. People go to where the product is and that's where the assistance should be placed; kiosks cannot meet this integration concept. CD players on the other hand, can be placed in the music bins promoting specific CDs, but the music selection which can be sampled is very limited. Furthermore, although the players are distributed among music racks or the CDs they try to promote, they don't allow consumers to choose what music they'd like to sample, because only a few selections, chosen by the stores management, are available. By equipping music stores with limited music sampling, retailers are overlooking an incredible opportunity to entice the customers to discover and then sell more music to more effectively compete against E-tailers.

Retailing Outside The Box

Because the internet offers music fans some real advantages, and shopping is moving more toward being an entertainment experience, traditional retailers need to start thinking outside the box. As retailing evolves, leaders will stand out by taking advantage of new technologies and integrating them, into the traditional selling environment. If they do this in a way that's fun and easy for the consumers they'll be able to drive repeat traffic into the store and expand their product offerings, therefore increasing sales AND profits.

ACD offers such a high-tech concept of merchandising, in order to enable the traditional retailer to deliver both superior service and an exciting shopping experience. We bring all of the advantages of online sales-unlimited catalog, product information, loyalty programs and sampling of all music-right into your store. With our system (called the STAR system), consumers can walk into a store and experience the very benefits that the E-tailers are trying to provide, but without the hassle or the headaches that often result when relying on the internet. There is no logging on, no waiting for access, no waiting for "buffering," no crashing mid-selection, no "busy" site you cannot enter.

How The Star System Works

About the size of a book or portable CD player, STAR devices are application-specific devices- not computers- that allow consumers to sample any track of any CD in the store simply by scanning the bar code. We designed these devices with a consumer-friendly ATM-like interface, eliminating the computer intimidation factor. Shoppers can listen to music before they buy it, but music sampling is only one of the benefits. There are other options to choose from that relate to the product. Such as "more titles from the artist" or "more albums in this genre." When a selection is made, an accompanying music video will play automatically (along with the song being sampled) on those STAR devices that come equipped with a fully-integrated video screen. The system operates with headphones or speakers, which allows more than one person to listen to the music at the same time. Not only is the system design consumer-friendly, but it's retailer friendly as well. Designed to fit and be integrated right into the merchandise display, the device has a very small footprint that permits retailers to install multiple (hundreds, if desired) devices, giving everyone in the store the opportunity to enjoy it and be entertained. No more waiting for an available CD player or kiosk, no more angry customers waiting for a turn to hear music. And our newest model, STAR QUEST, is a wireless, hand held device, delivering the ultimate freedom of mobile shopping. Since the STAR devices are distributed and available throughout the store and accessible near the merchandise, they

enhance, not **alter**, the natural flow of traffic of how people like to browse. With the Star system, we are only making the traditional shopping experience better, easier and more time effective. ACD manages the digital content for the system's playback from our headquarters, as well as providing retailers with a central computer for their stores to drive any number of devices desired for a specific store or application. Information, along with digital content of music and video, can be distributed to multiple retail outlets on an as-needed basis.

More Capabilities, More Profits

The STAR system gives both, the retailer and the consumer more options. The consumer shopping experience results in greater customer satisfaction and the retailer gets higher profits. In fact, we've helped many retailers to sell more catalog music, realizing the opportunity from greater profit margins. Because of ACD's patented technology and access to the largest digital music and video library in the world, retailers can give their customers as many titles to sample as they wish. They can now offer more music through special order. And the consumer has access to more music, from Backstreet Boys to Ella Fitzgerald to Bach.

The system's capabilities do not stop there. The STAR device marries the benefits of computer intelligence with the power of the latest innovations in digital audio-video merchandising technology. Retailers can customize the content on their system to include daily or weekly advertising specials, electronic coupons/discounts and pricing information. They can cross promote products in the store or on their Web site, cross-reference titles, songs, authors, and more—all right on the device, simply by scanning or pushing the button.

Plus, when all the legal issues are worked out within the music industry, the STAR system will be the first to offer practical downloading and custom music manufacturing at each STAR device in the store. We're confident that this will be possible, and as soon as that happens, we're ready. The technology is in place right now; when legal issues are resolved, the brick-and-mortar retailers will be ready to make the greatest impact on the concept of digital music distribution and on-the-spot music manufacturing.

Store-Specific Perks

To build customer loyalty, retailers can create their own consumer incentives. Consumers simply swipe a membership card into the device, which automatically tracks what they've already listened to (or bought, when that time comes). Then they can receive information or recommendations about new music that will interest them. The system can link to related movie information, product information, artist information...again; the possibilities go on and on. Stores can build databases from the information gleaned off the membership cards or system usage. It's been said that the new order of retail sales is customer orientation, where product is arranged around a customer's personal preferences, and that's exactly what the STAR system is designed to do—individual customer orientation, in the store, at multiple devices. Our device offers a consumer of any age intimidation-free quality shopping experience that makes them want to come back for more.

Other In-store Applications

And, the STAR system is not limited to just music; any store stocking any product can utilize this system. Scan laundry detergent, for example, to find the price, ingredients and consumer testimonials. Scan store-brand chocolate chips and read a taste-test comparison to the name-brand. Scan an apple and get the price per pound and a recipe for Mom's Homemade Apple Pie. Retailers can have any information they choose entered into the system, which can then be retrieved by a shopper by simply scanning the bar code of a product, using the STAR device.

Retailer fees for the devices vary, based on options retailers chose to embrace-and whether they decide to purchase or lease the system. The most basic device can be as low as \$300, with a more advanced device running closer to the high \$900s, excluding the main computer and content storage. The only additional fees are for maintenance and back-office services, with a variety of service agreements available. It's a small price to pay for well-informed and happy customers.

Why Choose In-Store Interactive?

Ultimately, I believe that successful retailers will have to merge the traditional shopping experience with new technologies and creative merchandising concepts like ACD's. To most shoppers, traditional retailing really hasn't changed much in over a century. Together, Advanced Communication Design and traditional retailers can design a complete range of shopping options to meet the needs of today's consumers. The hard truth is that a purely online retailer cannot successfully compete against the integrated solutions of traditional brick-and-mortar stores and their increasing E-commerce presence. However, to succeed in today's competitive, global marketplace, traditional retailers *will* bring new technologies to their stores and integrate new merchandising concepts for a superior shopping experience with E-commerce opportunities. Retailing began to change when books stores became super mega-stores-complete with comfortable couches and coffee shops-and invited consumers in for a relaxed experience. Music retailers are just beginning to understand that it is only logical to do the same thing with their merchandise. Imagine going into your local bookstore and finding that all of the books are shrink-wrapped. It's unthinkable that you couldn't read a page-or even an excerpt-yet that's exactly how we've been conditioned to buy music...until now. We are "un-shrink-wrapping" the music, with potential for much more. It's an easy way to do 21st century shopping. It is truly a music lover's dream. And, it's one that is taking music retailing to the next level.